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SUBJECT: BARAK AND FAYYAD PROMOTE THE TWO-STATE SOLUTION AT
HERZLIYA CONFERENCE

Classified By: DCM Luis G. Moreno, Reason 1.4 (b) (d)

1. (SBU) Summary. Speaking at a standing room only panel at the annual Herzliya Conference February 2, Defense Minister Barak and PA Prime Minister Fayyad offered a rare glimpse of Israeli-Palestinian convergence as both made the case for the two-state solution. Photographers at the event mobbed both men in a failed attempt to snap a picture of a handshake. Not surprisingly, however, while both argued passionately in favor of two states living in peace, the logic of their arguments conflicted on a number of points. Barak stressed that the "Zionist dream" will only be secure once there is a peace agreement with the Palestinians. He called for an "internal border" to be established within the "Land of Israel" to ensure that Israel becomes neither a bi-national nor an apartheid state in the future. Barak asserted, however, that while there should be no doubt that the majority of Israelis want peace, the position of the Palestinian side is less clear. Barak urged the international community to press the PA to resume negotiations, adding that while he expects a final status agreement to take more than two years, the time has come to get started, with an emphasis on top-down and bottom-up simultaneously.

2. (SBU) Fayyad, in a rare appearance before an Israeli audience, said the Palestinians accept Barak's call for a two-state solution and asserted that they have accepted Israel's right to exist since the 1993 Oslo agreements. The problem, Fayyad noted, is that negotiations have not led to the desired outcome. Security, stability and peace can only be achieved through Israel's acceptance of a Palestinian state. Noting the current impasse, Fayyad said Palestinians need a "new dynamic" that makes clear that negotiations will lead to a state. After detailing the accomplishments of his government over the past year, Fayyad called for Israel to freeze settlement construction and end IDF incursions into PA-controlled areas in order to show Palestinians that the "occupation is being rolled back." He stressed that Jerusalem must be on the negotiating agenda since East Jerusalem is an "integral part" of Palestinian territory. There can be no lasting peace, he stressed, without Palestinian control of East Jerusalem. Fayyad said he was proud to call his two-year plan for building the institutions of a state "unilateral" since it was being carried out as a Palestinian initiative. State-building reinforces but does not replace a negotiating process, he said, but added that within a year and a half, the state-building process will reach a "critical mass" for Palestinian independence even if a final status agreement has not been reached. Lastly, Fayyad called on Israel to "lift the siege" on Gaza, suggesting that opening the crossings would enable the PA to reestablish itself in Gaza, though he did not explain how that would occur. He also called for an "end to the separation" between Gaza and the West Bank as a necessary condition for Palestinian independence, but did not address how this would take place. Israeli commentators have generally applauded Fayyad for having the courage to address the Herzliya Conference, but many have stressed both his

not-so-veiled threat of a unilateral declaration of statehood in 2011, as well as the absence of a mechanism for addressing the division between the West Bank and Gaza. End Summary.

Barak Sees Threats and Opportunities

13. (U) Barak began his remarks (Note: speaking throughout in Hebrew, all translations are ours) with a review of the strategic situation facing Israel, noting that while quiet now prevails on all fronts, there are "threats on the horizon" from Iran, Hamas and Hizballah, "the like of which we have not faced in decades." Barak commented that the Middle East has "no mercy for the weak," so Israel must maintain its deterrence and demonstrate that it cannot be defeated if it wants to survive. Only on this basis can Israel reach agreements with its neighbors, Barak said, but added that the alternatives to pursuing peace are all bad. Israel can remain a Zionist, democratic state only through peace agreements with its neighbors.

14. (U) Today there are 12 million people living between the Jordan River and the Mediterranean, five million of them Arabs. If this area remains one state, it cannot remain Jewish and democratic, Barak observed, adding that neither a bi-national state nor an apartheid state will fulfill the Zionist dream. Therefore, a border must be imposed within the Land of Israel, not as a favor to the Palestinians but in the interests of future generations of Israelis. Barak cautioned that Israel faces growing international isolation because the international community will not accept a permanent occupation. Israel is strong, he stressed, and can

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afford to allow itself to move forward.

15. (U) Barak admitted that Israeli society is divided and addressed himself to both the right and the left. To the right, he said those who believe in the Land of Israel must accept the setting of a border not because Israel has no right to the land, but because Israel's interests require it. Barak noted that ancient Israel's borders shifted continually, and Jewish leaders of the ancient world understood the necessity of flexibility. To the left, Barak said Israel has a responsibility to defend its people and Jews everywhere. Israel must seek a "sober peace," not an illusion. He appealed to the left to help the Netanyahu government make peace with the Palestinians rather than follow the "Trotskyite" formula of "making things worse in order to make them better." Israel needs security, he said, but also to move forward.

16. (U) Barak said he had told Abu Mazen that he needed to tell the Palestinian people that the time has come to make peace and "give up their dreams" (i.e. the return of refugees). Barak asserted that while he had no doubt that the majority of Israelis want peace, the Palestinian position was less clear. Barak then praised PM Fayyad for his state-building project of developing the PA's institutions, security services and developing the economy. Barak said he believes in developing the Palestinians' capabilities. While Israel is not ready to cede security responsibility for the West Bank, Barak noted that even the settlers recognize the emergence of a "new security environment" in the West Bank through cooperation between the IDF and the PASF.

17. (U) Noting that "good fences make good neighbors," Barak observed that the "Arab discourse" has changed since the "three no's" of Khartoum in 1967. Israel cannot accept the Arab Peace Initiative as drafted, but it provides a framework with which to work. Turning to Gaza, Barak noted the security challenges posed by Hamas and said Israel will not allow the West Bank to follow the model of what followed the withdrawals from southern Lebanon and Gaza.

18. (U) Barak said negotiations will take time to produce an

agreement, "probably more than two years," but they must get started. The core issues are known to all and should all be dealt with at the same time. If there are proximity talks, they will only be an instrument to get negotiations started. The Netanyahu government accepts the Road Map, all past agreements, and the two-state solution. Progress toward peace must be bottom-up as well as top-down. Barak appealed to the international community to send a unified message to the Palestinian leadership that the time has come to resume negotiations. The Arab states, and especially the Gulf, can help by providing financial support for the PA. Israel needs a Palestinian state to achieve its own interests he concluded.

Palestinians Agree and Accept Two-State Solution

¶9. (U) Fayyad began by noting that he had expected to debate Barak in a panel format and had not come prepared to give a speech. He then launched, in English, into an articulate demand for Palestinian independence within two years. Noting that Barak had made a compelling case for a two-state solution from an Israeli perspective, Fayyad said the Palestinians agree and accept the two-state solution. He stressed that the Palestinians have recognized Israel's right to exist since the 1993 Oslo Agreements, but Israel at that time did not accept the Palestinians' right to a state. Negotiations since then have not produced the desired outcome, even though that entire international community has embraced the goal of a Palestinian state since President Bush's speech in the summer of 2002.

¶10. (U) Fayyad agreed with Barak that the Middle East is a rough and troubled region, but asserted that it can be made less rough by Israeli steps to end the occupation. The Palestinians want to live beside Israel in dignity, in a permanent and lasting peace. Fayyad said the Arab Peace Initiative provides a framework that would bring a sense of greater security to the entire Middle East. Security, stability, and peace are the Palestinians' driving force, but only if Israel accepts the concept of a Palestinian state.

¶11. (U) Fayyad acknowledged that the process is at an impasse. Many years have been spent on negotiations, so we must learn the lessons from past negotiations. Palestinians now need a "new dynamic." The process needs to be to evolve in a manner that makes clear that negotiations lead to a state. Palestinians are determined to prepare themselves for statehood and are getting the institutions of government going in all spheres. Security, he noted, is important to

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everyone, not just to Israelis.

¶12. (U) After losing Gaza, the PA focused on establishing a sense of security and law and order. Noting that the Road Map assumes progress toward a Palestinian state, Fayyad said Israel's obligations are to accept conditions consistent with a state. That includes a freeze on settlements and stopping IDF incursions into Palestinian-controlled areas, where the PASF are capable of providing security. Israel must show that the occupation is being "rolled back." Fayyad commented that Palestinians are sensitive to Israeli security needs, but there can be no security for anyone unless there is security for all. The PA should have a formal security presence outside of Area A in order to help give them the sense that the occupation is ending.

¶13. (U) Turning to Jerusalem, Fayyad noted that East Jerusalem was occupied in 1967 and is an integral part of Palestinian territory. He cautioned Israelis that there can be no lasting peace without Palestinian control of East Jerusalem. Asking rhetorically why Palestinians have insisted on a settlement freeze this time, Fayyad said that settlements are expanding on land on which a Palestinian state is supposed to be established. If the Israeli Government cannot even freeze settlements, how can the

Palestinians have confidence that negotiations will produce results?

¶14. (U) Fayyad said his government is assuming the responsibilities of a state by delivering services to the people. Noting that some have called this unilateralism, Fayyad stated that it is and should be unilateral since the Palestinians are now building their own state. State-building reinforces the negotiating track, but is not a substitute for negotiations. The PA, he stressed, will step up its efforts in order to be ready for statehood by the end of 2011. Fayyad said the PA has made great progress during the past two years, for example implementing over one thousand community projects and establishing a well-functioning central bank.

¶15. (U) Fayyad declared that by the end of 2011, the achievements on the ground will reach a "critical mass." If there is not a final status agreement by that time, he cautioned Israelis that these achievements will "put great pressure" for the establishment of a state anyway. The Palestinians' partners in the international community will not continue to invest in the PA without a sense that the outcome will be a state.

¶16. (U) Turning to Gaza, Fayyad said the Palestinians must be unified, the division between the West Bank and Gaza must end. He called for Israel to "lift the siege" on Gaza, calling Israeli policy "both wrong and wrong-headed." Lifting the siege would help the PA reestablish itself in Gaza he asserted, without further comment. Palestinians have the right to hold elections, but cannot do so without unification with Gaza. Again without elaborating, Fayyad said a solution requires the end of the internal Palestinian division.

¶17. (U) Appealing to Israelis on a human level, Fayyad admitted both peoples have suffered and noted that their "two diametrically opposed narratives" cannot be changed. He concluded by reiterating that Palestinians aspire to live in peace in their own state beside Israel.

¶18. (C) Comment. Barak's message that a Palestinian state is an Israeli imperative is not new, but sounded more like the arguments of opposition Kadima party leader Livni rather than those of PM Netanyahu, whose acceptance of Palestinian statehood is always accompanied by a series of caveats. Barak's security requirements are in fact the basis for Netanyahu's position, but perhaps in deference to Fayyad, Barak chose only to make a vague reference to a "sober peace" rather than spell out his thinking on Israel's security requirements as he sees them. Israeli commentators in the past few days have generally praised Fayyad's courage for addressing a largely Israeli audience in a forum traditionally associated with the security-minded Israeli center-right, but they have also found fault with both his implied threat of state-building leading inexorably to statehood by the end of 2011 regardless of negotiations, as well as the vagueness of his rhetoric about resolving the divide with Gaza.
Cunningham